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SUBJ: THE BRAVE NEW WORLD OF ETHIOPIAN SOCIALISM

REF: A) ADDIS 2937; B) ADDIS 14581 (1974)

SUMMARY: THE PMAC'S DECLARATION OF ECONOMIC POLICY OF FEB. 3 MAKES UNEQUIVOCALLY CLEAR THE CURRENT REGIME'S DETERMINATION TO SOCIALIZE (IN FACT AS WELL AS RHETORIC) ETHIOPIA'S ECONOMY.

THE DECLARATION'S CONDEMNATION OF THE MIDDLE CLASS AS THE PRINCIPAL SUPPORT OF THE OLD REGIME AND ITS GLORIFICATION OF THE WORKERS, PEASANTS, SOLDIERS AND INTELLIGENTSIA IS AN ATTEMPT TO INTENSIFY CLASS DIFFERENCES AND LAY THE FOUNDATION FOR A NEW SOCIALIST ORDER. THIS IS A SHARP DEPARTURE FROM PREVIOUS ECONOMIC POLICY STATEMENTS BY THE CHAIRMAN OF THE PMAC AND THE PMAC ITSELF, ESPECIALLY REGARDING TREATMENT OF FOREIGN INVESTMENT. GIVEN

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THIS TURN OF EVENTS THE ECONOMIC OUTLOOK FOR ETHIOPIA IS

DETERIORATING. END SUMMARY.

1. EMBASSY NOW HAS FULL UNOFFICIAL TRANSLATION OF PMAC'S DECLARATION OF ECONOMIC POLICY WHICH WAS PROMULGATED FEB 3 (SEE REF A). DOCUMENT BEGINS WITH A STRONG ATTACK ON "PRINCES, DIGNITARIES, BOURGEOISIE, AND THEIR IMPERIALIST PATRONS AND RUNNING DOGS", WHO HAVE SUBJECTED THE ETHIOPIAN PEOPLE TO DESPOTIC, OPPRESSIVE, AND TYRANNICAL RULE. THE REVOLUTIONARY MOVEMENT, BEGUN IN FEB 1974 AND SPEARHEADED BY THE PEASANTS, WORKERS, INTELLIGENTSIA AND OPPRESSED SOLDIERS, HAS ALREADY ELIMINATED THE "RULING CLIQUE" AND IS NOW TURNING TO THE "REMAINING EXPLOITERS", I.E., "BOURGEOISIE, IMPERIALISTS, FOREIGN MILLIONAIRES, THEIR SUPPORTERS AND AGENTS, AND OTHER MIDDLE OF THE ROAD SUPPORTERS". THESE ELEMENTS HAVE BEEN THE MAINSTAY OF THE DESPOTIC REGIME AND THEY MUST BE "UPROOTED FROM OUR MIDST".

2. THE PRIVATE SECTOR, WHICH HAS BEEN THE MAIN SOURCE OF INCOME OF PRINCES, IMPERIALISTS, ETC., IS BEING LIQUIDATED BECAUSE:

- A. PROFITS ARE REPATRIATED RATHER THAN REINVESTED;
- B. INVESTORS WERE OVERCHARGING FOR FINISHED PRODUCTS, THEREBY EXPLOITING CONSUMERS AND EXPORT INDUSTRIES HAVE BEEN IGNORED;
- C. EXPATRIATES WERE GIVEN PREFERENCE OVER ETHIOPIANS FOR MANY POSITIONS. THESE EXPATRIATES REPATRIATED THEIR INCOMES AND IMPORTED CHEAP FOREIGN CULTURE (I.E., PROSTITUTION, INTOXICATION);
- D. THE WEALTH OF THE LAND WAS BEING PLUNDERED.

3. THE ADVANTAGES OF STATE OWNERSHIP AND CONTROL ARE:

- A. PROFITS WILL BE USED TO EXPAND AND ESTABLISH ENTERPRISES THOUGHT TO BE BENEFICIAL TO THE PEOPLE;
- B. NEW INDUSTRIES WILL BE PUT IN ALL PROVINCES INSTEAD OF BEING CONCENTRATED IN ADDIS;
- C. LABOR WILL BE COMPENSATED EQUAL TO ITS OUTPUT;
- D. CREATION OF A PLANNED ECONOMY DEDICATED TO INCREASING ECONOMIC GROWTH.

4. IN ORDER TO INCREASE OUTPUT OF NATIONALIZED ENTERPRISES -

- A. ENTERPRISES SHOULD BE RESTRUCTURED AND ORIENTED FOR THE BENEFIT OF THE MASSES;
- B. WORKERS, IN THEIR NEW CAPACITY AS MASTERS OF THESE ENTERPRISES, LIMITED OFFICIAL USE

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WILL FULLY PARTICIPATE IN RUNNING THEM. TO ACCOMPLISH THIS THE FOLLOWING WILL BE DONE FOR EACH ENTERPRISE:

- (1) A LONG AND SHORT TERM WORK PROGRAM WILL BE DRAWN UP
- (2) NEW OBJECTIVES WILL BE ESTABLISHED
- (3) NEW ADMINISTRATIVE RULES AND BY-REGULATIONS WILL BE DRAFTED
- (4) A PERSONNEL ACTION COMMITTEE COMPRISED OF FROM 5 TO 9 MEMBERS, INCLUDING MANAGEMENT AND WORKERS AND CHAIRED BY THE GENERAL MANAGER (WHO WILL BE THE GOVERNMENT'S

REPRESENTATIVE) WILL BE ESTABLISHED.

C. WORKERS ARE TO BE VIGILANT FOR ANY ANTI-PROGRESSIVE ELEMENTS WHICH ATTEMPT TO HINDER IMPLEMENTATION OF THIS DECISION AND TO RETARD PROGRESS. THEY SHOULD "IDENTIFY ENEMIES, RESIST THEM, FIGHT THEM AND UPROOT THEM FROM THEIR MIDST."

5. CERTAIN COMPANIES (MOSTLY THOSE INVOLVING SUBSTANTIAL FOREIGN HELD EQUITY AND REQUIRING A HIGH LEVEL OF MANAGEMENT EXPERTISE) "WHICH CANNOT, BECAUSE OF ADMINISTRATIVE INCONVENIENCE, BE PUT UNDER STATE CONTROL" WILL NEVERTHELESS BE UNDER GOVERNMENT SUPERVISION AND THE GOVERNMENT WILL ASSUME MAJORITY HOLDINGS. THE GOVERNMENT WILL PROVIDE "ALL POSSIBLE ASSISTANCE" TO THE EXPATRIATES WHOSE SERVICES ARE REQUIRED BY THOSE ENTERPRISES BUT REPATRIATION OF THEIR PROFITS WILL BE "EFFECTIVELY CONTROLLED" AND THE INTERESTS OF THE LABOR FORCE WILL BE "STRICTLY PROTECTED AND DEFINED."

6. THE DECLARATION NEXT SPECIFIES NEW RULES FOR FOREIGN TRADE, NOTABLY A REDUCTION IN LUXURY GOODS IMPORTS, AN INCREASE IN DIVERSIFICATION OF EXPORTABLE COMMODITIES, AN INCREASE IN THE NUMBER OF COUNTRIES WHICH BUY ETHIOPIAN EXPORTS FROM "THE PRESENT TWO COUNTRIES" (A VEILED REFERENCE TO THE US), THE IMPOSITION OF "EFFECTIVE FOREIGN EXCHANGE (CONTROL) SYSTEMS", AND DIRECT GOVERNMENT PARTICIPATION IN FOREIGN TRADE.

7. REGARDING FOREIGN INVESTMENT THE DECLARATION INVITES FOREIGN NATIONALS TO PARTICIPATE IN THE ECONOMIC DEVELOPMENT OF THE COUNTRY, ESPECIALLY IN THE AREA OF MINERALS EXPLORATION AND DEVELOPMENT. DETAILS OF THE INVESTMENT LAW WILL BE PUBLISHED LATER.

8. THE BALANCE OF THE DOCUMENT IS DEVOTED TO FURTHER EXHORTATIONS TO FARMERS, WORKERS, SOLDIERS AND INTELLIGENTSIA TO RUN THE LIMITED OFFICIAL USE

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ECONOMY FOR THE BENEFIT OF ALL ETHIOPIANS.

9. COMMENT.

A. THIS DECLARATION LEAVES NO DOUBT ABOUT THE ECONOMIC VIEWS OF THE CURRENT REGIME. THE PROPRTIED MIDDLE CLASS WHICH HAS PLAYED AN IMPORTANT ROLE IN RUNNING THE MODERNIZED SECTOR OF THE ECONOMY HAS NOW JOINED THE ROYAL FAMILY AND THE NOBILITY AS "EXPLOITERS OF THE MASSES" AND IT THEREFORE MUST ALSO BE "ROOTED OUT". IF SO, IT WILL NOT BE EASILY REPLACED. ETHIOPIA HAS CLEARLY TAKEN A GIANT STEP DOWN THE ROAD TO A "SOCIALIST PARADISE". THE DECLARATION ALSO STRESSES THE RESPONSIBILITIES OF THE WORKING CLASSES TO WORK FOR THE MASSES AND TO ENSURE THE SUCCESS OF THE SOCIALIST REVOLUTION, A BURDEN THAT MAY TURN OUT TO BE VERY HEAVY INDEED. MOREOVER, THE NEW MANAGERS OF THESE ENTERPRISES, WHO ARE MOSTLY YOUNG

AND INEXPERIENCED CIVIL SERVANTS (MANY OF WHOM WERE TRAINED IN THE US), WILL ALSO FACE ENORMOUS RESPONSIBILITIES AND WILL BE, IN MOST CASES, UNDER THE SUPERVISION OF A NEWLY ESTABLISHED MINISTRY (NATURAL RESOURCES AND DEVELOPMENT) HEADED BY ANOTHER YOUNG, INEXPERIENCED CIVIL SERVANT WHO WAS PRACTICALLY UNKNOWN BEFORE HIS APPOINTMENT AS MINISTER. IT APPEARS THAT THE PMAC HAS BITTEN OFF FAR MORE THAN IT CAN CHEW AND THAT THE CHANCES FOR ECONOMIC GROWTH AND DEVELOPMENT ARE DECREASING.

B. THIS DECLARATION TAKES ON ADDITIONAL SIGNIFICANCE AS AN INDICATION OF THE RAPID MOVEMENT OF THE CURRENT REGIME TO THE LEFT (AT LEAST ECONOMICALLY) WHEN IT IS RECALLED THAT THE STATEMENT READ ON TEFERI BANTE'S BEHALF TO THE SENIOR REPRESENTATIVES OF THE DIPLOMATIC CORPS ON DECEMBER 6, 1974 (SEE REF B) INCLUDED THE FOLLOWING SPECIFIC STATEMENTS: "ALL RUMORS ABOUT NATIONALIZATION OF FOREIGN FIRMS ARE WITHOUT ANY FOUNDATION WHATSOEVER. THE PMAC HAS NO POLICY OF NATIONALIZATION OF FOREIGN ENTERPRISES. ON THE OTHER HAND, THE PMAC WELCOMES FOREIGN INVESTMENT AND WILL GUARANTEE THAT SUCH INVESTMENT THRIVES TO THE MUTUAL BENEFIT OF THE INVESTOR AND THE PEOPLE OF ETHIOPIA." IN THIS CONNECTION, ADDIS IS RIFE WITH SPECULATION ABOUT WHO HAS INFLUENCE WITH THE PMAC. THE DUTCH AMBASSADOR, FOR EXAMPLE, ADVISED THE CHARGE THAT DUTCH NATIONALS MANAGING HVA METEHARA AND HVA ETHIOPIA (DUTCH CONTROLLED SUGAR ESTATES IN WHICH THE GOVERNMENT ASSUMED MAJORITY INTEREST) ARE LIMITED OFFICIAL USE

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CERTAIN THE RUSSIANS OFFERED TO SUPPLY MANAGEMENT AND TECHNICAL EXPERTISE IF OTHER FOREIGN EXPERTS LEFT IN THE WAKE OF NATIONALIZATION. OTHERS HAVE NOTED THAT THE VOCABULARY USED IN THE DECLARATION IS NOT TYPICALLY AMHARIC BUT APPEARS TO HAVE BEEN TRANSLATED FROM ANOTHER LANGUAGE. ON THE OTHER HAND MANY BELIEVE THE PMAC IS OPERATING ON ITS OWN AND, TO THE EXTENT IT SEEKS ADVICE AT ALL, RELIES ONLY ON ETHIOPIANS WHO ARE USUALLY CHARACTERIZED AS "UNIVERSITY RADICALS".

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